



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Southern Illinois Bancorp, Inc.

Person to be contacted regarding this report:	Alvin Fritschle
CPP Funds Received:	\$5,000,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	1/23/2009
Date Repaid ¹ :	

RSSD: (For Bank Holding Companies)	1098929
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	3777
City:	Carmi
State:	Illinois

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/> Increase lending or reduce lending less than otherwise would have occurred.	The Capital Contribution allowed us to increase our asset that in turn allowed us to increase our outstanding loans and maintain adequate capital ratios. During 2009 we increase our total loans outstanding by \$7.7 million.
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<input checked="" type="checkbox"/>	<p>To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).</p>	<p>During 2009, our subsidiary bank increased its outstanding loans secured by residential and commercial real estate by \$10.8 million; our loans to agriculture increased by \$0.4 million and our other loans decreased by \$3.5 million.</p>
<input checked="" type="checkbox"/>	<p>Increase securities purchased (ABS, MBS, etc.).</p>	<p>The Capital Contribution allowed us to increase our total asset and that in turn allowed us to increase our purchases of new issue securities backed by residential real estate mortgages by \$19.6 million.</p>
<input type="checkbox"/>	<p>Make other investments</p>	
<input type="checkbox"/>	<p>Increase reserves for non-performing assets</p>	

<input type="checkbox"/>	Reduce borrowings	
<input type="checkbox"/>	Increase charge-offs	
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input type="checkbox"/>	Held as non-leveraged increase to total capital	

What actions were you able to avoid because of the capital infusion of CPP funds?

The infusion of the CPP funds allowed us to continue to grow our bank rather than restrain its growth to maintain an adequate leverage capital ratio. We are not a problem bank that is burdened with a large number of problem loans.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

It is the Policy of our subsidiary, The First National Bank of Carmi, to target its leverage capital ratio at 8%. As we were already slightly under this ratio at the beginning of 2009, we would have had to limited the growth of the bank to maintain that ratio as a part of our risk management process in 2009. By contributing \$2 million of the Capital Purchase Plan funds into the bank, we were able to grow our deposit base by approximately \$20 million. This allowed us to increase our lending and make additional investments in securities backed by residential real estate mortgages. Our leverage capital ratio at the end of 2009 was still approximately 8%.

The remaining \$3 million was deposit into a checking account at the subsidiary bank and is available support further growth in deposits and lending.

In 2009, we leveraged the governments \$5 million CPP investment into nearly \$28 million of new loans and new mortgage backed securities issued by FNMA and Freddie Mac.

During 2009, we reviewed the potential acquisition of branches from two separate problem banks but decided not make an offer on these branches. During 2010, we will continue to look at potential acquisitions to utilize the remain CPP funds and we are currently in discussion with other banks with liquidity issues on our purchasing loans from them to further increase our investment in direct loans.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

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According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.